

SHENANDOAH COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Shenandoah Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|--|---------------------|
| Board of Education (Before September 2007 Election) | | |
| Margaret Brady | President | 2009 |
| Marla Hart | Vice President (Resigned) | 2008 |
| Roger Jones | Board Member | 2007 |
| Marty Maher | Board Member | 2008 |
| Lance Hensen | Board Member | 2009 |
| Board of Education (After September 2007 Election) | | |
| Margaret Brady | President | 2009 |
| Marty Maher | Vice President | 2008 |
| Brian Maxine | Board Member | 2008 |
| Keith Meyer | Board Member (Appointed) | 2008 |
| Lance Hensen | Board Member (Resigned) | 2009 |
| Dwight Mayer | Board Member | 2010 |
| School Officials | | |
| Dick Profit | Superintendent | 2008 |
| Shirley Lundgren | Business Manager and District Secretary | 2008 |
| Jeffrey A. Krausman | Attorney | 2008 |

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Shenandoah Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shenandoah Community School District, Shenandoah, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 on our consideration of Shenandoah Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 38 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shenandoah Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2001 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

Management Discussion and Analysis

The discussion and analysis of Shenandoah Community School District's financial performance provides an overall review of the School District's financial activities; identifies changes in financial position and focuses on significant financial issues for the fiscal year ending June 30, 2008.

This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Management Fund, Capital Projects Fund, Debt Service Fund, Internal Services Fund, PPEL Fund, Activity Fund, Trust Fund and Nutrition Fund.

This reporting model offers a narrative overview and analysis of the school district's financial performance during the fiscal year. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Since the MD&A provides summary level financial information, readers are encouraged to consider this information with the basic financial statements to understand the School District's financial performance.

Comprehensive comparison to the prior year's data will be provided for all key financial information.

FINANCIAL HIGHLIGHTS

- ◆ General Fund revenues increased from \$8,663,341 in fiscal year 2007 to \$9,271,923 in fiscal year 2008, while General Fund expenditures increased from \$8,634,180 in fiscal year 2007 to \$9,390,401 in fiscal year 2008. This resulted in a decrease in the District's General Fund balance from \$1,496,341 in fiscal year 2007 to \$1,377,863 fiscal year 2008.
- ◆ The increase in general fund revenues was due to an increase in teacher compensation funds and an increase in state aid monies received. We received \$4,613,803 in state aid which is an increase of \$98,277 from the previous year.
- ◆ The increase in general fund expenditures was due to an increase in salary and benefits, due to the payment of increased teacher compensation funds.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The financial statements provide insights into the results of this year's operations. This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the District as a financial whole, an entire operating entity.

The Statement of Net Assets provides information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the school district's most significant funds with all other non-major funds presented in total in one column. For Shenandoah Community School District, the general fund is the most significant fund.

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements

The statements for governmental fund statements explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The statements for proprietary fund statements offer short-term and long-term financial information about the activities the district operates like businesses, such as food service.

The statements for fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

A government-wide financial statement is the statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the district at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

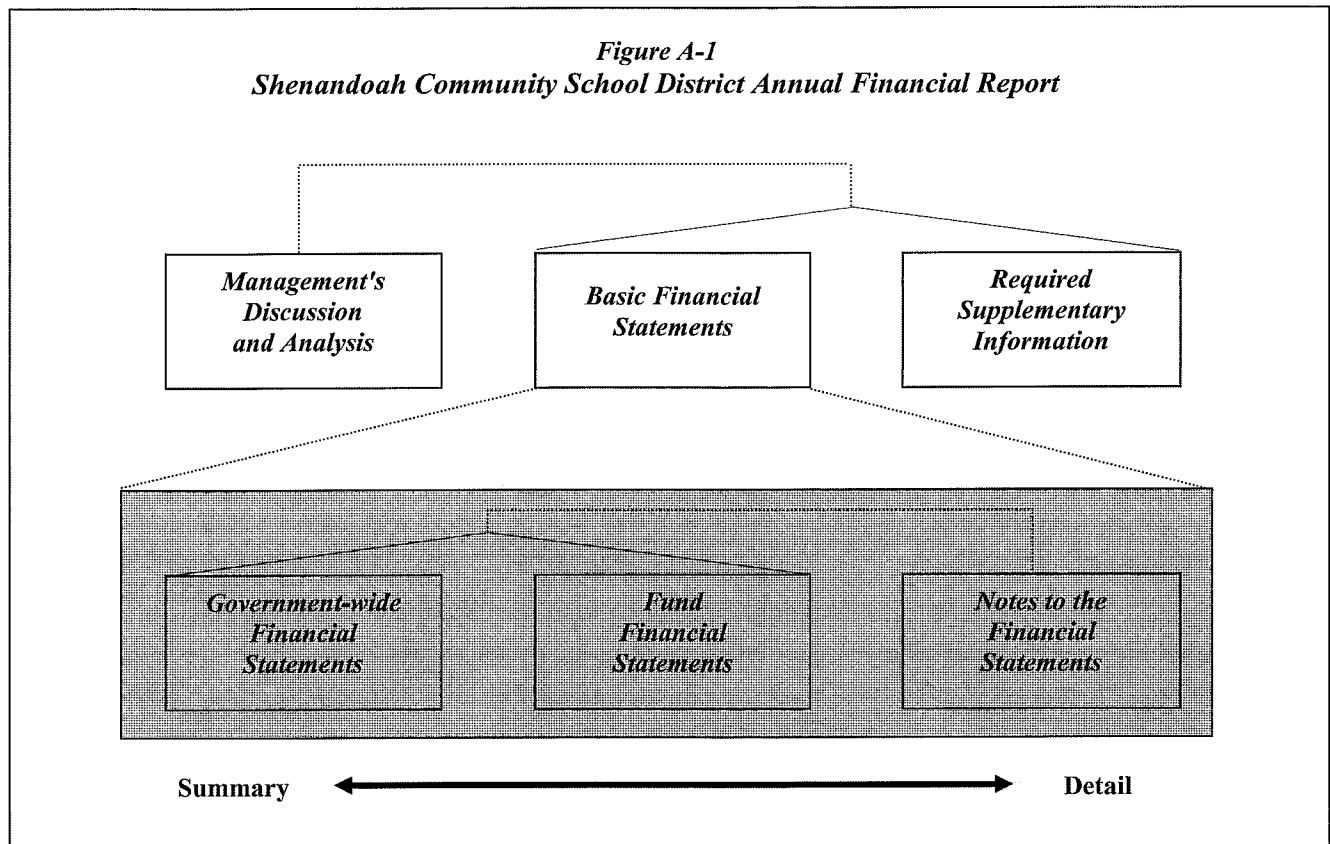


Figure A-2 on the next page summarizes the major features of the district-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content of each of the statements.

Figure A-2: Major Features of the District Wide and Fund Financial Statements

| | District-wide Statements | Fund Financial Statements | | |
|--|--|---|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses: food services is included here | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities | <ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of expenditures, revenues, and changes in fund balances | <ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of cash flows | <ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets |
| Accounting Basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

GOVERNMENT-WIDE STATEMENTS -- REPORTING THE DISTRICT AS A WHOLE

One of the most important questions that can be asked about the school district is if it is better off or worse off financially than it was a year ago. The District-wide statements report information on the school district as a whole and include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting takes into accounts all of the current year's revenues and expenditures regardless of when the cash is received or paid.

The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities are one way to measure the School District's financial health or position. The change in net assets is important because it tells the reader that, for the School District as a whole, if the financial position has improved or diminished. Over time, increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating. The causes of this change may be the result of many factors, some financial and some not. The School District's goal is to provide services to our students, not to generate profits as commercial entities do. Therefore, to assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base, the condition of school buildings and other facilities, the quality of the education provided and the safety of the schools. All of these factors are used to assess the overall health of the School District.

Governmental Activities– Most of the school district's services is reported here, including regular and special education instruction, support, plant and transportation services. Property taxes, state foundation, categorical grants, and state and federal grants finance most these activities.

Business-type Activities – These funds are used to account for services provided to school districts where all or most of the costs are recovered through services charged to the users of such services, or from transfers from other funds. The district's food service program would be included here.

FUND FINANCIAL STATEMENTS -- REPORTING THE DISTRICT BY FUNDS

The School District's fund financial statements provide more detailed information about the School District's most significant or "major" funds – not the school district as a whole. The School District uses many funds to account for a multitude of financial transactions. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds are established to control and manage money for particular purposes such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants. Some funds are required by State law and some by bond covenants. The School District's major governmental funds are the General Fund, the Debt Service Fund, the Capital Projects Fund and the Physical Plant and Equipment Fund. The District has three types of funds – Governmental funds, Proprietary funds and Fiduciary funds.

Governmental funds: Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to

cash flow in and out and (2) the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

Proprietary funds: Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District has one enterprise fund, the School Nutrition Fund.

Fiduciary funds: The district is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds. Private-Purpose Trust funds accounts for outside donations to a school district for a specific purpose. Agency Funds are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

NET ASSETS

The Statement of Net Assets provides the summary of the School District as a whole.

Figure A-3 on the following page provides a summary of the District's net assets for the year ended June 30, 2008 totaling nearly \$10.27 million in government-wide.

Unrestricted governmental net assets of \$1,333,798 represent the accumulated results of all past year's operations. It means that if we had to pay off all of our bills today, including all of our liabilities, we would have \$1,333,798 left.

| Figure A-3 Condensed Statement of Net Assets | | | | | | | |
|--|----------------------------|------------|-----------------------------|---------|--------------------------|------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2007-08 |
| Current and other assets | \$ 8,091,805 | 7,923,337 | 77,923 | 87,579 | 8,169,728 | 8,010,916 | 1.98% |
| Capital assets | 14,729,594 | 14,841,635 | 94,439 | 101,783 | 14,824,033 | 14,943,418 | -0.80% |
| Total assets | 22,821,399 | 22,764,972 | 172,362 | 189,362 | 22,993,761 | 22,954,334 | 0.17% |
| Long-term obligations | 8,565,314 | 9,278,509 | 2,228 | 0 | 8,567,542 | 9,278,509 | -7.66% |
| Other liabilities | 4,150,023 | 3,860,426 | 9,300 | 6,090 | 4,159,323 | 3,866,516 | 7.57% |
| Total liabilities | 12,715,337 | 13,138,935 | 11,528 | 6,090 | 12,726,865 | 13,145,025 | -3.18% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 6,259,594 | 5,654,921 | 94,439 | 101,783 | 6,354,033 | 5,756,704 | 10.38% |
| Restricted | 2,512,670 | 2,306,476 | 0 | 0 | 2,512,670 | 2,306,476 | 8.94% |
| Unrestricted | 1,333,798 | 1,664,640 | 66,395 | 81,489 | 1,400,193 | 1,746,129 | -19.81% |
| Total net assets | \$ 10,106,062 | 9,626,037 | 160,834 | 183,272 | 10,266,896 | 9,809,309 | 4.66% |

CHANGES IN NET ASSETS

Figure A-4 on the next page shows the changes in net assets for the year ended June 30, 2008.

In Figure A-4 property tax, income surtax, local option sales and services tax and unrestricted state grants account for 75.5% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86.0% of the total expenses.

The total cost of our general fund activities this year was \$9.37 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was \$2.50 million or 26.68% of our total program costs. Some of the costs were paid by those who benefited from the programs, and by subsidizing certain programs with grants and contributions and other miscellaneous sources.

Revenues increased because of the instructional support levy, increased teacher compensation, and additional open enrollment tuition income.

| Figure A-4 Changes of Net Assets | | | | | | | |
|---|----------------------------|------------|-----------------------------|----------|--------------------------|------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2007-08 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 584,082 | 493,938 | 167,757 | 183,252 | 751,839 | 677,190 | 11.02% |
| Operating grants and contributions and restricted interest | 1,516,175 | 1,368,583 | 258,808 | 249,141 | 1,774,983 | 1,617,724 | 9.72% |
| Capital grants and contributions and restricted interest | 0 | 31,308 | 0 | 0 | 0 | 31,308 | -100.00% |
| General revenues: | | | | | | | |
| Property tax | 2,900,689 | 2,876,818 | 0 | 0 | 2,900,689 | 2,876,818 | 0.83% |
| Income surtax | 404,981 | 392,466 | 0 | 0 | 404,981 | 392,466 | 3.19% |
| Local option sales and services tax | 617,590 | 631,004 | 0 | 0 | 617,590 | 631,004 | -2.13% |
| Unrestricted state grants | 4,664,430 | 4,515,526 | 0 | 0 | 4,664,430 | 4,515,526 | 3.30% |
| Unrestricted investment earnings | 132,652 | 169,703 | 1,960 | 2,750 | 134,612 | 172,453 | -21.94% |
| Other | 131,186 | 140,834 | 0 | 0 | 131,186 | 140,834 | -6.85% |
| Transfers | (15,797) | (22,884) | 15,797 | 15,211 | 0 | (7,673) | 100.00% |
| Total revenues | 10,935,988 | 10,597,296 | 444,322 | 450,354 | 11,380,310 | 11,047,650 | 3.01% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 6,401,838 | 5,995,632 | 0 | 0 | 6,401,838 | 5,995,632 | 6.78% |
| Support services | 2,984,072 | 2,689,002 | 11,079 | 0 | 2,995,151 | 2,689,002 | 11.39% |
| Non-instructional programs | 0 | 2,070 | 455,681 | 464,059 | 455,681 | 466,129 | -2.24% |
| Other expenses | 1,070,053 | 1,072,181 | 0 | 0 | 1,070,053 | 1,072,181 | -0.20% |
| Total expenses | 10,455,963 | 9,758,885 | 466,760 | 464,059 | 10,922,723 | 10,222,944 | 6.85% |
| Changes in net assets | 480,025 | 838,411 | (22,438) | (13,705) | 457,587 | 824,706 | -44.52% |
| Beginning net assets | 9,626,037 | 8,787,626 | 183,272 | 196,977 | 9,809,309 | 8,984,603 | 9.18% |
| Ending net assets | \$ 10,106,062 | 9,626,037 | 160,834 | 183,272 | 10,266,896 | 9,809,309 | 4.66% |

GOVERNMENTAL ACTIVITIES

Revenues, net of transfers for governmental activities were \$10,935,988 while expenditures were \$10,455,963. Total expenditures increased due to an increase in salaries and benefits and additional technology purchases.

Figure A-5 on the next page presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

| Figure A-5 Total and Net Cost of Governmental Activities | | | | | | |
|---|------------------------|-----------|-------------------|----------------------|-----------|-------------------|
| | Total Cost of Services | | | Net Cost of Services | | |
| | 2008 | 2007 | Change 2007-08 | 2008 | 2007 | Change 2007-08 |
| Instruction | \$ 6,401,838 | 5,995,632 | 6.78% | 4,664,266 | 4,474,823 | 4.23% |
| Support services | 2,984,072 | 2,689,002 | 10.97% | 2,978,193 | 2,685,017 | 10.92% |
| Non-instructional | 0 | 2,070 | -100.00% | 0 | 2,070 | -100.00% |
| Other expenses | 1,070,053 | 1,072,181 | -0.20% | 713,247 | 703,146 | 1.44% |
| Totals | \$ 10,455,963 | 9,758,885 | 7.14% | 8,355,706 | 7,865,056 | 6.24% |

Figure A-5 above shows:

- ◆ The cost financed by users of the District's programs was \$584,082.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$1,516,175.
- ◆ The net cost of governmental activities was financed with \$2,900,689 in property tax, \$404,981 in income surtax, \$617,590 in local option sales and service tax and \$4,664,430 in unrestricted state grants, \$132,652 in interest income and \$131,186 in other general revenue.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities were \$444,322 while expenditures were \$466,760. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of service, federal and state reimbursements and investment income. The District transferred \$15,797 from the General Fund to financially assist in funding higher costs.

During the year ended June 30, 2008, the school nutrition program purchased some new equipment for the high school. Food costs and salaries increased significantly during the year. Breakfast and lunch counts remain steady and our free and reduced counts remain high which generates additional federal and state lunch and breakfast reimbursements. Overall the district served less student lunches and more student breakfasts than the previous year.

GOVERNMENTAL AND PROPRIETARY FUND HIGHLIGHTS

As previously noted, the Shenandoah Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The strong financial performance of the District as a whole is reflected in the governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,610,991 which is below last year's ending fund balance of \$3,779,211. The primary reason for the decrease in combined fund balance is due to the increase in revenues not exceeding the increase in expenditures during the year.

Governmental Fund Highlights:

The District's general fund financial position is a product of many factors.

- ◆ The General Fund balance decreased from \$1,496,341 to \$1,377,863 due in part because the increase in expenditures more than surpassed the increase in General Fund revenues.
- ◆ Factors affecting expenditures were the increased negotiated salaries and benefits and increased gasoline prices and utilities.
- ◆ Factors affecting revenues were increases in tuition and state grant revenues during fiscal year 2008.

Proprietary Fund Highlights:

The School Nutrition Fund net assets decreased from \$183,272 at June 30, 2007 to \$160,834 at June 30, 2008 or 12.24%. The main decrease is attributable to increased salaries and benefits and a slight decrease in lunches served during the year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget for all funds is prepared according on a GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 38 and 39.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The most significant budgeted fund is the General Fund.

- ◆ For the general fund, the actual revenues plus transfer were \$9,271,923 and the actual expenditures plus transfers were \$9,390,401. The general fund had an ending fund balance of \$1,377,863.

Another significant fund is the Capital Project Fund.

- ◆ For the Capital Projects fund, the actual revenues plus transfers were \$914,916 and the actual expenditures plus transfers were \$825,975. The Capital Projects fund had an ending fund balance of \$614,031.

Another significant fund is the Debt Service Fund.

- ◆ For the Debt Service fund, the actual revenues plus transfers were \$1,143,200 and the actual expenditures were \$1,009,788.

- ◆ This year, out of the Debt Service fund, the school district paid the debt interest and principal payments for the general obligation bonds, the QZAB bonds, the street project and the bus lease.

CAPITAL ASSETS

At June 30, 2008, the District had invested \$14,824,033, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$14,729,594 of the capital assets with the remainder of \$94,439 in the Proprietary, School Nutrition Fund. Depreciation expense for the year was \$523,518.

Figure A-6 presents the capital assets for the district.

| Figure A-6 Capital Assets, Net of Depreciation | | | | | | | |
|---|----------------------------|------------|-----------------------------|---------|--------------------------|------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2007-08 |
| Land | \$ 183,000 | 183,000 | 0 | 0 | 183,000 | 183,000 | 0.00% |
| Construction in progress | 0 | 139,503 | 0 | 0 | 0 | 139,503 | -100.00% |
| Buildings | 13,806,164 | 13,838,626 | 0 | 0 | 13,806,164 | 13,838,626 | -0.24% |
| Land improvements | 346,463 | 344,240 | 0 | 0 | 346,463 | 344,240 | 0.64% |
| Machinery and equipment | 393,967 | 336,266 | 94,439 | 101,783 | 488,406 | 438,049 | 10.31% |
| Total | \$ 14,729,594 | 14,841,635 | 94,439 | 101,783 | 14,824,033 | 14,943,418 | -0.81% |

LONG-TERM DEBT

As of June 30, 2008, the School District had \$8,565,314 in general obligation bonds, QZAB bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 7.69% from last year.

There was \$6,535,000 in outstanding debt for general obligation bonds for the PK-8 building. The bonds are paid from property taxes and from Local Option Sales & Service tax monies. The final payment will be due in fiscal year 2020.

The School District had \$675,000 in outstanding debt for revenue bonds issued for the HVAC system at the high school. The bonds are paid from Local Option Sales & Service tax monies. The debt will be paid over five years with the final payment due in fiscal year 2011.

The School District had \$260,000 in outstanding debt for the street project for the PK-8 building. The assessment is paid from income surtax monies. The debt will be paid over 10 years with the last payment due in fiscal year 2012.

The School District had \$1,000,000 in outstanding debt for the Quality Zone Academy Bonds. The bonds are paid from the QZAB principal and interest and are backed by the income surtax monies. The debt is paid over 9 years with the last payment due in fiscal year 2011.

The School District had \$97,542 in outstanding debt for compensated absences from the current year. The compensated absences are paid for from the General Fund and Enterprise, School Nutrition Fund.

Figure A-7 presents the outstanding long-term debt for the district.

| Figure A-7 Outstanding Long-Term Obligations | | | |
|---|-----------------------|------------------|---------------|
| | Total School District | | Total |
| | 2008 | 2007 | Change |
| General obligation bonds | \$ 6,535,000 | 6,965,000 | -6.17% |
| Revenue bonds | 675,000 | 885,000 | -23.73% |
| QZAB | 1,000,000 | 1,000,000 | 0.00% |
| Street assessment | 260,000 | 325,000 | -20.00% |
| Bus lease | 0 | 11,714 | -100.00% |
| Compensated absences | 97,542 | 91,795 | 6.26% |
| Totals | <u>\$ 8,567,542</u> | <u>9,278,509</u> | <u>-7.66%</u> |

FACTORS THAT IMPACT THE DISTRICT'S FUTURE

The Shenandoah Community School District is proud of the generous community support of the public schools.

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

The enrollment decreased in FY08 for the sixth time in nine years, and decreased 5% for FY09. The loss of a manufacturing plant and a lumberyard during 2007 will continue to affect the future of the district.

CONTACTING THE SCHOOL DISTRICT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Shenandoah Community School District's finances and to demonstrate the School District's accountability for the monies it receives. If you have questions about this report or should desire additional detailed financial program audits they can be obtained by contacting: Joyce Morgan, Business Manager, Shenandoah Community School District, 304 W. Nishna Road, Shenandoah, IA 51601.

BASIC FINANCIAL STATEMENTS

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and pooled investments | \$ 4,182,485 | 69,476 | 4,251,961 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 40,469 | 0 | 40,469 |
| Succeeding year | 3,186,084 | 0 | 3,186,084 |
| Income surtax | 374,302 | 0 | 374,302 |
| Accounts | 18,142 | 0 | 18,142 |
| Due from other governments | 288,876 | 175 | 289,051 |
| Inventories | 1,447 | 8,272 | 9,719 |
| Capital assets, net of accumulated depreciation(Note 4) | 14,729,594 | 94,439 | 14,824,033 |
| TOTAL ASSETS | 22,821,399 | 172,362 | 22,993,761 |
| LIABILITIES | | | |
| Accounts payable | 71,403 | 0 | 71,403 |
| Salaries and benefits payable | 836,170 | 5,585 | 841,755 |
| Accrued interest payable | 50,029 | 0 | 50,029 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,186,084 | 0 | 3,186,084 |
| Other | 6,337 | 0 | 6,337 |
| Unearned revenue | 0 | 3,715 | 3,715 |
| Long-term liabilities(Note 5): | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 450,000 | 0 | 450,000 |
| Revenue bonds payable | 215,000 | 0 | 215,000 |
| Street assessment payable | 65,000 | 0 | 65,000 |
| Compensated absences | 95,314 | 2,228 | 97,542 |
| Portion due after one year: | | | |
| General obligation bonds payable | 6,085,000 | 0 | 6,085,000 |
| Revenue bonds payable | 460,000 | 0 | 460,000 |
| Street assessment payable | 195,000 | 0 | 195,000 |
| QZAB payable | 1,000,000 | 0 | 1,000,000 |
| TOTAL LIABILITIES | 12,715,337 | 11,528 | 12,726,865 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 6,259,594 | 94,439 | 6,354,033 |
| Restricted for: | | | |
| Debt service | 1,057,337 | 0 | 1,057,337 |
| Market factor | 6,733 | 0 | 6,733 |
| Professional development | 40,445 | 0 | 40,445 |
| Market factor incentives | 7,783 | 0 | 7,783 |
| Capital projects | 614,031 | 0 | 614,031 |
| Management levy | 115,993 | 0 | 115,993 |
| Physical plant and equipment levy | 567,721 | 0 | 567,721 |
| Other special revenue purposes | 102,627 | 0 | 102,627 |
| Unrestricted | 1,333,798 | 66,395 | 1,400,193 |
| TOTAL NET ASSETS | \$ 10,106,062 | 160,834 | 10,266,896 |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|---|----------------------------|--|----------------------|--|---------------------------------|
| | Charges for Services | Operating Grants, Contributions and Restricted Interest | | Govern- mental Activities | Business- Type Activities |
| Expenses | | | | | Total |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular instruction | \$ 4,066,450 | 351,115 | 1,070,122 | (2,645,213) | 0 (2,645,213) |
| Special instruction | 1,132,572 | 91,177 | 60,083 | (981,312) | 0 (981,312) |
| Other instruction | 1,202,816 | 139,900 | 25,175 | (1,037,741) | 0 (1,037,741) |
| | <u>6,401,838</u> | <u>582,192</u> | <u>1,155,380</u> | <u>(4,664,266)</u> | <u>0 (4,664,266)</u> |
| Support services: | | | | | |
| Student services | 283,406 | 0 | 0 | (283,406) | 0 (283,406) |
| Instructional staff services | 507,554 | 0 | 0 | (507,554) | 0 (507,554) |
| Administration services | 916,449 | 0 | 0 | (916,449) | 0 (916,449) |
| Operation and maintenance of plant services | 865,972 | 0 | 0 | (865,972) | 0 (865,972) |
| Transportation services | 410,691 | 1,890 | 3,989 | (404,812) | 0 (404,812) |
| | <u>2,984,072</u> | <u>1,890</u> | <u>3,989</u> | <u>(2,978,193)</u> | <u>0 (2,978,193)</u> |
| Other expenditures: | | | | | |
| Long-term debt interest | 288,802 | 0 | 0 | (288,802) | 0 (288,802) |
| AEA flowthrough | 356,806 | 0 | 356,806 | 0 | 0 0 |
| Depreciation(unallocated)* | 424,445 | 0 | 0 | (424,445) | 0 (424,445) |
| | <u>1,070,053</u> | <u>0</u> | <u>356,806</u> | <u>(713,247)</u> | <u>0 (713,247)</u> |
| Total governmental activities | 10,455,963 | 584,082 | 1,516,175 | (8,355,706) | 0 (8,355,706) |
| Business-Type activities: | | | | | |
| Support services: | | | | | |
| Administration services | 3,820 | 0 | 0 | 0 (3,820) | (3,820) |
| Operation and maintenance of plant services | 7,259 | 0 | 0 | 0 (7,259) | (7,259) |
| | <u>11,079</u> | <u>0</u> | <u>0</u> | <u>0 (11,079)</u> | <u>(11,079)</u> |
| Non-instructional programs: | | | | | |
| Nutrition services | 455,681 | 167,757 | 258,808 | 0 (29,116) | (29,116) |
| Total business-type activities | 466,760 | 167,757 | 258,808 | 0 (40,195) | (40,195) |
| Total | <u>\$ 10,922,723</u> | <u>751,839</u> | <u>1,774,983</u> | <u>(8,355,706)</u> | <u>(40,195) (8,395,901)</u> |
| General Revenues and Transfers: | | | | | |
| General Revenues: | | | | | |
| Local tax for: | | | | | |
| General purposes | | | \$ 2,476,434 | 0 | 2,476,434 |
| Debt service | | | 323,596 | 0 | 323,596 |
| Capital outlay | | | 100,659 | 0 | 100,659 |
| Income surtax | | | 404,981 | 0 | 404,981 |
| Local option sales and services tax | | | 617,590 | 0 | 617,590 |
| Unrestricted state grants | | | 4,664,430 | 0 | 4,664,430 |
| Unrestricted investment earnings | | | 132,652 | 1,960 | 134,612 |
| Other | | | 131,186 | 0 | 131,186 |
| Transfers | | | (15,797) | 15,797 | 0 |
| Total general revenues and transfers | | | 8,835,731 | 17,757 | 8,853,488 |
| Changes in net assets | | | 480,025 | (22,438) | 457,587 |
| Net assets beginning of year | | | 9,626,037 | 183,272 | 9,809,309 |
| Net assets end of year | | | <u>\$ 10,106,062</u> | <u>160,834</u> | <u>10,266,896</u> |

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

| | General | Capital Projects | Debt Service | Nonmajor Special Revenue Funds | Total |
|--|---------------------|---------------------|------------------|---|------------------|
| ASSETS | | | | | |
| Cash and pooled investments | \$ 2,078,065 | 458,000 | 1,052,972 | 586,930 | 4,175,967 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 33,394 | 0 | 4,348 | 2,727 | 40,469 |
| Succeeding year | 2,584,026 | 0 | 381,013 | 221,045 | 3,186,084 |
| Income surtax | 149,721 | 0 | 0 | 224,581 | 374,302 |
| Accounts | 16,951 | 0 | 0 | 1,191 | 18,142 |
| Due from other governments | 131,529 | 156,031 | 17 | 1,299 | 288,876 |
| Inventories | 747 | 0 | 0 | 700 | 1,447 |
| TOTAL ASSETS | \$ 4,994,433 | 614,031 | 1,438,350 | 1,038,473 | 8,085,287 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 40,316 | 0 | 0 | 31,087 | 71,403 |
| Salaries and benefits payable | 836,170 | 0 | 0 | 0 | 836,170 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 2,584,026 | 0 | 381,013 | 221,045 | 3,186,084 |
| Income surtax | 149,721 | 0 | 0 | 224,581 | 374,302 |
| Other | 6,337 | 0 | 0 | 0 | 6,337 |
| Total liabilities | 3,616,570 | 0 | 381,013 | 476,713 | 4,474,296 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | 0 | 0 | 1,057,337 | 0 | 1,057,337 |
| Market factor | 6,733 | 0 | 0 | 0 | 6,733 |
| Professional development | 40,445 | 0 | 0 | 0 | 40,445 |
| Market factor incentives | 7,783 | 0 | 0 | 0 | 7,783 |
| Unreserved: | | | | | |
| General | 1,322,902 | 0 | 0 | 0 | 1,322,902 |
| Capital Projects | 0 | 614,031 | 0 | 0 | 614,031 |
| Management levy | 0 | 0 | 0 | 115,993 | 115,993 |
| Physical plant and equipment levy | 0 | 0 | 0 | 343,140 | 343,140 |
| Other special revenue purposes | 0 | 0 | 0 | 102,627 | 102,627 |
| Total fund balances | 1,377,863 | 614,031 | 1,057,337 | 561,760 | 3,610,991 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,994,433 | 614,031 | 1,438,350 | 1,038,473 | 8,085,287 |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

| | |
|---|-----------------------------|
| Total fund balances of governmental funds (page 18) | \$ 3,610,991 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds. | 14,729,594 |
| Blending of the Internal Service Funds to be reflected on an entity-wide basis. | 6,518 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current period. | 374,302 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (50,029) |
| Long-term liabilities, compensated absences, general obligation bonds payable, revenue bonds payable, QZAB bonds payable and bus lease payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | (8,565,314) |
| Net assets of governmental activites (page 16) | <u><u>\$ 10,106,062</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

| | General | Capital Projects | Debt Service | Nonmajor Special Revenue Funds | Total |
|---|--------------|---------------------|-----------------|---|-------------|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 2,501,042 | 617,590 | 323,596 | 443,602 | 3,885,830 |
| Tuition | 413,345 | 0 | 0 | 0 | 413,345 |
| Other | 397,724 | 19,821 | 35,460 | 211,393 | 664,398 |
| State sources | 5,587,101 | 0 | 292 | 183 | 5,587,576 |
| Federal sources | 363,206 | 0 | 0 | 0 | 363,206 |
| Total revenues | 9,262,418 | 637,411 | 359,348 | 655,178 | 10,914,355 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 4,005,033 | 0 | 0 | 59,924 | 4,064,957 |
| Special instruction | 1,132,572 | 0 | 0 | 0 | 1,132,572 |
| Other instruction | 1,057,588 | 0 | 0 | 170,479 | 1,228,067 |
| | 6,195,193 | 0 | 0 | 230,403 | 6,425,596 |
| Support services: | | | | | |
| Student services | 283,406 | 0 | 0 | 0 | 283,406 |
| Instructional staff services | 492,863 | 0 | 0 | 14,601 | 507,464 |
| Administration services | 917,214 | 0 | 0 | 861 | 918,075 |
| Operation and maintenance of plant services | 799,419 | 0 | 0 | 67,602 | 867,021 |
| Transportation services | 329,262 | 0 | 0 | 112,080 | 441,342 |
| | 2,822,164 | 0 | 0 | 195,144 | 3,017,308 |
| Other expenditures: | | | | | |
| Facilities acquisitions | 0 | 233,321 | 0 | 50,729 | 284,050 |
| Long-term debt: | | | | | |
| Principal | 0 | 0 | 716,714 | 0 | 716,714 |
| Interest and fiscal charges | 0 | 0 | 293,074 | 0 | 293,074 |
| AEA flowthrough | 356,806 | 0 | 0 | 0 | 356,806 |
| | 356,806 | 233,321 | 1,009,788 | 50,729 | 1,650,644 |
| Total expenditures | 9,374,163 | 233,321 | 1,009,788 | 476,276 | 11,093,548 |
| Excess(deficiency) of revenues over(under) expenditures | (111,745) | 404,090 | (650,440) | 178,902 | (179,193) |
| Other financing sources(uses): | | | | | |
| Transfers in | 9,485 | 277,505 | 783,852 | 440 | 1,071,282 |
| Transfers out | (16,238) | (592,654) | 0 | (478,187) | (1,087,079) |
| Proceeds from the disposal of property | 20 | 0 | 0 | 26,750 | 26,770 |
| Total other financing sources(uses) | (6,733) | (315,149) | 783,852 | (450,997) | 10,973 |
| Net change in fund balances | (118,478) | 88,941 | 133,412 | (272,095) | (168,220) |
| Fund balance beginning of year | 1,496,341 | 525,090 | 923,925 | 833,855 | 3,779,211 |
| Fund balance end of year | \$ 1,377,863 | 614,031 | 1,057,337 | 561,760 | 3,610,991 |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 20) \$ (168,220)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|----------------------|------------------|-----------|
| Capital outlays | \$ 398,145 | |
| Depreciation expense | <u>(510,186)</u> | (112,041) |

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 5,389

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 716,714

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,272

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 37,430

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|----------------------|-------------------|----------------|
| Compensated absences | <u>\$ (3,519)</u> | <u>(3,519)</u> |
|----------------------|-------------------|----------------|

Changes in net assets of governmental activities (page 17) \$ 480,025

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

| | Business-Type Activities Enterprise: Fund School Nutrition | Governmental Activities: Internal Service Fund |
|---|---|---|
| ASSETS | | |
| Cash and pooled investments | \$ 69,476 | 6,518 |
| Due from other governments | 175 | 0 |
| Inventories | 8,272 | 0 |
| Capital assets, net of accumulated depreciation (Note 4) | 94,439 | 0 |
| TOTAL ASSETS | 172,362 | 6,518 |
| LIABILITIES | | |
| Salaries and benefits payable | 5,585 | 0 |
| Unearned revenue | 3,715 | 0 |
| Long-term liabilities (Note 5): | | |
| Compensated absences | 2,228 | 0 |
| TOTAL LIABILITIES | 11,528 | 0 |
| NET ASSETS | | |
| Invested in capital assets | 94,439 | 0 |
| Unrestricted | 66,395 | 6,518 |
| TOTAL NET ASSETS | \$ 160,834 | 6,518 |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

| | Business-Type Activities: | |
|---|------------------------------|-----------------------------|
| | Enterprise Fund | Governmental Activities: |
| | School Nutrition | Internal Service Fund |
| OPERATING REVENUE: | | |
| Local sources: | | |
| Charges for services | \$ 167,757 | 31,459 |
| TOTAL OPERATING REVENUES | 167,757 | 31,459 |
| OPERATING EXPENSES: | | |
| Administrative services: | | |
| Services | 3,820 | 0 |
| Operation and maintenance of plant services: | | |
| Services | 7,259 | 0 |
| Total support services | 11,079 | 0 |
| Non-instructional programs: | | |
| Food service operations: | | |
| Salaries | 164,316 | 0 |
| Benefits | 38,018 | 0 |
| Services | 207 | 0 |
| Supplies | 239,380 | 0 |
| Depreciation | 13,332 | 0 |
| | 455,253 | 0 |
| Other enterprise operations: | | |
| Benefits | 0 | 26,070 |
| Total non-instructional programs | 455,253 | 26,070 |
| TOTAL OPERATING EXPENSES | 466,332 | 26,070 |
| OPERATING INCOME (LOSS) | (298,575) | 5,389 |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Transfer in | 15,797 | 0 |
| State sources | 5,257 | 0 |
| Federal sources | 253,551 | 0 |
| Loss on disposal of assets | (428) | 0 |
| Interest on investments | 1,960 | 0 |
| TOTAL NON-OPERATING REVENUES | 276,137 | 0 |
| Changes in net assets | (22,438) | 5,389 |
| Net assets beginning of year | 183,272 | 1,129 |
| Net assets end of year | \$ 160,834 | 6,518 |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

| | Business-Type Activites: Enterprise Fund School Nutrition | Governmental Activities: Internal Service Fund |
|--|--|---|
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 166,602 | 0 |
| Cash received from miscellaneous | 1,719 | 31,459 |
| Cash payments to employees for services | (197,460) | (26,070) |
| Cash payments to suppliers for goods or services | (226,467) | 0 |
| Net cash provided by(used in) operating activities | (255,606) | 5,389 |
| Cash flows from non-capital financing activities: | | |
| Transfer from General Fund | 15,797 | |
| State grants received | 5,257 | 0 |
| Federal grants received | 226,124 | 0 |
| Net cash provided by non-capital financing activities | 247,178 | 0 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | (6,416) | 0 |
| Net cash used in capital and related financing activities | (6,416) | 0 |
| Cash flows from investing activities: | | |
| Interest on investments | 1,960 | 0 |
| Net cash provided by investing activities | 1,960 | 0 |
| Net increase(decrease) in cash and cash equivalents | (12,884) | 5,389 |
| Cash and cash equivalents at beginning of year | 82,360 | 1,129 |
| Cash and cash equivalents at end of year | \$ 69,476 | 6,518 |
| Reconciliation of operating income(loss) to net cash provided by(used in) operating activities: | | |
| Operating income(loss) | \$ (298,575) | 5,389 |
| Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities: | | |
| Commodities consumed | 27,252 | 0 |
| Depreciation | 13,332 | 0 |
| Increase in inventories | (3,053) | 0 |
| Increase in salaries and benefits payable | 4,874 | 0 |
| Increase in unearned revenue | 564 | 0 |
| Net cash provided by(used in) operating activities | \$ (255,606) | 5,389 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET: | | |
| Current assets: | | |
| Cash and pooled investments | \$ 69,476 | 6,518 |
| NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | |
| During the year ended June 30, 2008, the District received Federal commodities valued at \$27,252. | | |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

| | <u>Private Purpose</u> |
|-----------------------------|-----------------------------------|
| | <u>Trust</u> |
| | <u>Scholarship</u> |
| ASSETS | |
| Cash and pooled investments | <u>\$ 284,199</u> |
| LIABILITIES | |
| | <u>0</u> |
| NET ASSETS | |
| Reserved for scholarships | <u><u>\$ 284,199</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

| | <u>Private Purpose</u> |
|------------------------------|------------------------|
| | <u>Trust</u> |
| | <u>Scholarship</u> |
| Additions: | |
| Gifts and contributions | \$ 15,371 |
| Interest on investments | 10,162 |
| Total additions | <u>25,533</u> |
| Deductions: | |
| Scholarships awarded | <u>8,975</u> |
| Change in net assets | 16,558 |
| Net assets beginning of year | <u>267,641</u> |
| Net assets end of year | <u>\$ 284,199</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Shenandoah Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Shenandoah, Iowa, and the predominate agricultural territory in Page, Fremont, Montgomery and Mills Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Shenandoah Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Shenandoah Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page, Fremont, Montgomery and Mills Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental

Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments -- Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 3,000 |
| Buildings | 3,000 |
| Land improvements | 3,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 3,000 |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Machinery and equipment | 5-12 years |

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | <u>Amortized Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | <u>\$ 3,503,951</u> |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

| Transfer to | Transfer from | Amount |
|------------------|------------------|---------------------|
| Debt Service | PPEL | \$ 191,198 |
| Capital Projects | PPEL | 277,505 |
| Debt Service | Capital Projects | 592,654 |
| Nutrition | General | 15,797 |
| General | Management | 4,250 |
| General | Activity | 5,235 |
| Activity | General | 440 |
| Total | | <u>\$ 1,087,079</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 183,000 | 0 | 0 | 183,000 |
| Construction in progress | 139,503 | 226,105 | 365,608 | 0 |
| Total capital assets not being depreciated | 322,503 | 226,105 | 365,608 | 183,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 19,676,725 | 365,608 | 0 | 20,042,333 |
| Land improvements | 699,687 | 28,598 | 6,680 | 721,605 |
| Machinery and equipment | 1,380,161 | 143,442 | 0 | 1,523,603 |
| Total capital assets being depreciated | 21,756,573 | 537,648 | 6,680 | 22,287,541 |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,838,099 | 398,070 | 0 | 6,236,169 |
| Land improvements | 355,447 | 26,375 | 6,680 | 375,142 |
| Machinery and equipment | 1,043,895 | 85,741 | 0 | 1,129,636 |
| Total accumulated depreciation | 7,237,441 | 510,186 | 6,680 | 7,740,947 |
| Total capital assets being depreciated, net | 14,519,132 | 27,462 | 0 | 14,546,594 |
| Governmental activities capital assets, net | \$ 14,841,635 | 253,567 | 365,608 | 14,729,594 |
| | | | | |
| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
| Business-type activities: | | | | |
| Machinery and equipment | \$ 213,254 | 6,416 | 6,141 | 213,529 |
| Less accumulated depreciation | 111,471 | 13,332 | 5,713 | 119,090 |
| Business-type activities capital assets, net | \$ 101,783 | (6,916) | 428 | 94,439 |

Depreciation expense was charged by the District as follows:

| | |
|--|------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 5,907 |
| Other | 9,457 |
| Support services: | |
| Operation and maintenance of plant services | 5,866 |
| Transportation | 64,511 |
| | 85,741 |
| Unallocated depreciation | 424,445 |
| Total governmental activities depreciation expense | \$ 510,186 |
| Business-type activities: | |
| Food services | \$ 13,332 |

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|----------------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| <u>Governmental activities:</u> | | | | | |
| General obligation bonds | \$ 6,965,000 | 0 | 430,000 | 6,535,000 | 450,000 |
| Revenue bonds | 885,000 | 0 | 210,000 | 675,000 | 215,000 |
| QZAB | 1,000,000 | 0 | 0 | 1,000,000 | 0 |
| Street assessment | 325,000 | 0 | 65,000 | 260,000 | 65,000 |
| Bus lease | 11,714 | 0 | 11,714 | 0 | 0 |
| Compensated absences | 91,795 | 95,314 | 91,795 | 95,314 | 95,314 |
| Total governmental activities | \$ 9,278,509 | 95,314 | 808,509 | 8,565,314 | 825,314 |
| <u>Business-type activities:</u> | | | | | |
| Compensated absences | \$ 0 | 2,228 | 0 | 2,228 | 2,228 |
| Total long-term liabilities | \$ 9,278,509 | 97,542 | 808,509 | 8,567,542 | 827,542 |

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rates | Issue dated September 28, 2005 | | | |
|----------------------------|-------------------|--------------------------------|-----------|-----------|--|
| | | Principal | Interest | Total | |
| 2009 | 3.50 | % \$ 450,000 | 230,812 | 680,812 | |
| 2010 | 3.50 | 460,000 | 214,975 | 674,975 | |
| 2011 | 3.50 | 475,000 | 198,787 | 673,787 | |
| 2012 | 3.50 | 495,000 | 182,075 | 677,075 | |
| 2013 | 3.50 | 510,000 | 164,487 | 674,487 | |
| 2014-2018 | 3.50-3.65 | 2,850,000 | 534,785 | 3,384,785 | |
| 2019-2020 | 3.70-3.75 | 1,295,000 | 61,141 | 1,356,141 | |
| Total | | \$ 6,535,000 | 1,587,062 | 8,122,062 | |

Revenue Bonds

Details of the District's June 30, 2008 revenue bonded indebtedness is as follows:

| Year Ending June 30, | Interest Rate | Issue dated May 13, 2005 | | | |
|----------------------------|------------------|--------------------------|----------|---------|--|
| | | Principal | Interest | Total | |
| 2009 | 3.90 | % \$ 215,000 | 22,132 | 237,132 | |
| 2010 | 3.90 | 225,000 | 13,553 | 238,553 | |
| 2011 | 3.90 | 235,000 | 4,582 | 239,582 | |
| Total | | \$ 675,000 | 40,267 | 715,267 | |

The District has pledged future local option sales and services tax revenues to repay \$1,085,000 Revenue Bonds issued in May 2005. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The Revenue Bonds

are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2011. The Revenue Bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the notes is \$715,267. For the current year, principal of \$210,000 and interest of \$30,420 was paid on the Revenue Bonds and total local option sales and services tax revenues were \$617,590.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$108,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Quality Zone Academy Bonds Payable

During the year ended June 30, 2002, the District issued zero interest Quality Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects Fund to a Debt Sinking Fund will be made to pay the indebtedness due November 13, 2011, of \$1,000,000.

Street Assessment Payable

Details of the District's June 30, 2008 street assessment payable indebtedness are as follows:

| Year | | Issue dated August 1, 2002 | | | |
|----------|----------|----------------------------|----------|---------|--|
| Ending | Interest | | | | |
| June 30, | Rate | Principal | Interest | Total | |
| 2009 | 4.50 | % \$ 65,000 | 12,675 | 77,675 | |
| 2010 | 4.75 | 65,000 | 9,750 | 74,750 | |
| 2011 | 5.00 | 65,000 | 6,663 | 71,663 | |
| 2012 | 5.25 | 65,000 | 3,412 | 68,412 | |
| Total | | \$ 260,000 | 32,500 | 292,500 | |

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008. Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$355,421, \$315,497, and \$287,856 respectively, equal to the required contributions for each year.

(7) Risk Management

Shenandoah Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$356,806 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

| | Governmental Fund Types Actual | Proprietary Fund Type Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|--|--------------------------------------|------------------------------------|-----------------|------------------|-------------|--------------------------------|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 4,963,573 | 169,717 | 5,133,290 | 4,783,521 | 4,783,521 | 349,769 |
| State sources | 5,587,576 | 5,257 | 5,592,833 | 5,448,738 | 5,448,738 | 144,095 |
| Federal sources | 363,206 | 253,551 | 616,757 | 540,000 | 540,000 | 76,757 |
| Total revenues | 10,914,355 | 428,525 | 11,342,880 | 10,772,259 | 10,772,259 | 570,621 |
| Expenditures: | | | | | | |
| Instruction | 6,425,596 | 0 | 6,425,596 | 7,749,037 | 7,749,037 | 1,323,441 |
| Support services | 3,017,308 | 11,079 | 3,028,387 | 3,466,662 | 3,466,662 | 438,275 |
| Non-instructional programs | 0 | 455,253 | 455,253 | 614,177 | 614,177 | 158,924 |
| Other expenditures | 1,650,644 | 0 | 1,650,644 | 2,791,144 | 2,791,144 | 1,140,500 |
| Total expenditures | 11,093,548 | 466,332 | 11,559,880 | 14,621,020 | 14,621,020 | 3,061,140 |
| Deficiency of revenues under expenditures | (179,193) | (37,807) | (217,000) | (3,848,761) | (3,848,761) | (3,631,761) |
| Other financing sources, net | 10,973 | 15,369 | 26,342 | 48,600 | 48,600 | 22,258 |
| Deficiency of revenues and other financing sources under expenditures | (168,220) | (22,438) | (190,658) | (3,800,161) | (3,800,161) | (3,609,503) |
| Balance beginning of year | 3,779,211 | 183,272 | 3,962,483 | 3,800,161 | 3,800,161 | 162,322 |
| Balance end of year | \$ 3,610,991 | 160,834 | 3,771,825 | 0 | 0 | 3,771,825 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

| | Nonmajor Special Revenue Funds | | | |
|--|--------------------------------|---------------------|--|------------------|
| | Manage- ment Levy | Student Activity | Physical Plant and Equipment Levy | Total |
| ASSETS | | | | |
| Cash and pooled investments | \$ 114,613 | 100,936 | 371,381 | 586,930 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year delinquent | 1,375 | 0 | 1,352 | 2,727 |
| Succeeding year | 125,000 | 0 | 96,045 | 221,045 |
| Income surtax | 0 | 0 | 224,581 | 224,581 |
| Accounts | 0 | 1,191 | 0 | 1,191 |
| Due from other governments | 5 | 1,289 | 5 | 1,299 |
| Inventories | 0 | 700 | 0 | 700 |
| TOTAL ASSETS | \$ 240,993 | 104,116 | 693,364 | 1,038,473 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 0 | 1,489 | 29,598 | 31,087 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 125,000 | 0 | 96,045 | 221,045 |
| Income surtax | 0 | 0 | 224,581 | 224,581 |
| Total liabilities | 125,000 | 1,489 | 350,224 | 476,713 |
| Fund balances: | | | | |
| Unreserved | 115,993 | 102,627 | 343,140 | 561,760 |
| Total fund balances | 115,993 | 102,627 | 343,140 | 561,760 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 240,993 | 104,116 | 693,364 | 1,038,473 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

| | Nonmajor Special Revenue Funds | | | |
|--|--------------------------------|---------------------|--|-----------|
| | Manage- ment Levy | Student Activity | Physical Plant and Equipment Levy | Total |
| REVENUES: | | | | |
| Local sources: | | | | |
| Local tax | \$ 97,907 | 0 | 345,695 | 443,602 |
| Other | 18,711 | 180,200 | 12,482 | 211,393 |
| State sources | 92 | 0 | 91 | 183 |
| TOTAL REVENUES | 116,710 | 180,200 | 358,268 | 655,178 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 58,084 | 0 | 1,840 | 59,924 |
| Other instruction | 0 | 170,479 | 0 | 170,479 |
| Support services: | | | | |
| Instructional staff services | 0 | 0 | 14,601 | 14,601 |
| Administration services | 861 | 0 | 0 | 861 |
| Operation and maintenance of plant services | 57,002 | 0 | 10,600 | 67,602 |
| Student transportation | 16,746 | 0 | 95,334 | 112,080 |
| Other expenditures: | | | | |
| Facilities acquisitions | 0 | 0 | 50,729 | 50,729 |
| TOTAL EXPENDITURES | 132,693 | 170,479 | 173,104 | 476,276 |
| EXCESS(DEFICIENCIES) OF REVENUES OVER(UNDER) EXPENDITURES | (15,983) | 9,721 | 185,164 | 178,902 |
| OTHER FINANCING SOURCES(USES): | | | | |
| Transfers in | 0 | 440 | 0 | 440 |
| Transfers out | (4,250) | (5,235) | (468,702) | (478,187) |
| Proceeds from the disposal of property | 0 | 0 | 26,750 | 26,750 |
| TOTAL OTHER FINANCING SOURCES(USES) | (4,250) | (4,795) | (441,952) | (450,997) |
| EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES | (20,233) | 4,926 | (256,788) | (272,095) |
| FUND BALANCE BEGINNING OF YEAR | 136,226 | 97,701 | 599,928 | 833,855 |
| FUND BALANCE END OF YEAR | \$ 115,993 | 102,627 | 343,140 | 561,760 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

| Account | Balance Beginning of Year | Revenues | Expenditures | Intrafund Transfers | Balance End of Year |
|----------------------------|---------------------------------|----------|--------------|------------------------|---------------------------|
| HS General Athletics | \$ 35,063 | 6,816 | 6,169 | (6,021) | 29,689 |
| Athletic Director | 0 | 0 | 502 | 502 | 0 |
| Athletic Tournaments | 0 | 1,091 | 0 | (1,091) | 0 |
| MS General Athletics | 0 | 0 | 10 | 10 | 0 |
| Boys Basketball | 0 | 3,445 | 2,526 | (919) | 0 |
| MS Boys Basketball | 0 | 478 | 704 | 226 | 0 |
| Football | 0 | 12,213 | 5,086 | (7,127) | 0 |
| MS Football | 0 | 877 | 1,017 | 140 | 0 |
| Baseball | 0 | 1,116 | 3,256 | 2,140 | 0 |
| MS Baseball | 0 | 943 | 1,197 | 254 | 0 |
| Boys Track | 0 | 575 | 3,104 | 2,529 | 0 |
| MS Boys Track | 0 | 160 | 450 | 290 | 0 |
| Boys Cross Country | 0 | 608 | 873 | 265 | 0 |
| Boys Tennis | 0 | 0 | 422 | 422 | 0 |
| Boys Golf | 0 | 835 | 1,494 | 659 | 0 |
| Wrestling | 0 | 3,108 | 5,501 | 2,393 | 0 |
| MS Wrestling | 0 | 260 | 324 | 64 | 0 |
| Girls Basketball | 0 | 4,069 | 3,932 | (137) | 0 |
| MS Girls Basketball | 0 | 719 | 988 | 269 | 0 |
| Volleyball | 0 | 5,322 | 4,381 | (941) | 0 |
| MS Volleyball | 0 | 652 | 461 | (191) | 0 |
| Softball | 0 | 2,825 | 5,675 | 2,850 | 0 |
| MS Softball | 0 | 0 | 819 | 819 | 0 |
| Girls Track | 0 | 65 | 2,350 | 2,285 | 0 |
| MS Girls Track | 0 | 150 | 562 | 412 | 0 |
| Girls Cross Country | 0 | 2,472 | 2,010 | (462) | 0 |
| Girls Tennis | 0 | 222 | 1,047 | 825 | 0 |
| Girls Golf | 0 | 478 | 2,266 | 1,788 | 0 |
| Annual | 11,662 | 7,312 | 4,958 | 0 | 14,016 |
| Cheerleaders | 3,651 | 12,836 | 11,479 | 86 | 5,094 |
| Class of 2007 | 687 | 0 | 687 | 0 | 0 |
| Class of 2008 | 1,281 | 0 | 867 | 0 | 414 |
| Class of 2009 | 1,453 | 4,922 | 4,851 | 0 | 1,524 |
| Class of 2010 | 882 | 543 | 54 | 0 | 1,371 |
| Class of 2011 | 800 | 1,040 | 85 | 28 | 1,783 |
| Concession Pop | 435 | 13,103 | 13,597 | 284 | 225 |
| FFA | 6,515 | 8,169 | 9,377 | 0 | 5,307 |
| FCCLA | 1,703 | 5,063 | 4,921 | 400 | 2,245 |
| Interest | 18 | 299 | 62 | 0 | 255 |
| Marching Mustangs | 2,418 | 1,086 | 2,881 | 437 | 1,060 |
| National Art Honor Society | 596 | 780 | 906 | 0 | 470 |
| National Honor Society | 459 | 801 | 471 | 0 | 789 |
| Pep Club | 86 | 0 | 0 | (86) | 0 |
| Investment Interest | 3,312 | 3,087 | 5,199 | (1,200) | 0 |

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

| Account | Balance Beginning of Year | Revenues | Expenditures | Intrafund Transfers | Balance End of Year |
|--------------------------|---------------------------------|----------|--------------|------------------------|---------------------------|
| Shen Basketball Boys | 51 | 780 | 670 | 0 | 161 |
| Shen Basketball Girls | 1 | 300 | 289 | 0 | 12 |
| Shen Boys Golf | 35 | 728 | 0 | 0 | 763 |
| Shen Boys Cross Country | 146 | 352 | 379 | 100 | 219 |
| Shen Boys Tennis | 342 | 276 | 337 | 0 | 281 |
| Shen Boys Track | 239 | 225 | 343 | (14) | 107 |
| Shen Football | 1,692 | 5,342 | 4,000 | 40 | 3,074 |
| Shen Girls Track | 147 | 770 | 696 | 0 | 221 |
| Shen Girls Tennis | 356 | 83 | 323 | 0 | 116 |
| Shen Girls Cross Country | 262 | 2,388 | 675 | (725) | 1,250 |
| Shen Singers | 1,488 | 1,331 | 2,376 | 0 | 443 |
| Shen Softball | 1,040 | 1,381 | 1,704 | 0 | 717 |
| Shen Volleyball | 262 | 2,277 | 1,945 | 756 | 1,350 |
| Shen Weight Club | 713 | 350 | 800 | 0 | 263 |
| Shen Wrestlers | 103 | 6,478 | 3,284 | 180 | 3,477 |
| SHS Speech Club | 1,919 | 5,016 | 5,208 | 218 | 1,945 |
| Student Activity | 0 | 4,447 | 491 | (3,956) | 0 |
| Student Council | 4,988 | 14,076 | 12,308 | (548) | 6,208 |
| Shen Baseball | 192 | 1,510 | 1,510 | (14) | 178 |
| MS Annual | 1,631 | 2,982 | 3,464 | 0 | 1,149 |
| MS Cheerleaders | 371 | 0 | 0 | 0 | 371 |
| MS FCCLA | 780 | 8,203 | 6,558 | 800 | 3,225 |
| MS Weight Room | 0 | 600 | 364 | 0 | 236 |
| MS Leadership Academy | 1,624 | 0 | 40 | 0 | 1,584 |
| MS Marching Mustangs | 5,123 | 10,376 | 8,190 | 218 | 7,527 |
| MS Swing Choir | 2,140 | 0 | 838 | 218 | 1,520 |
| MS Pride Builders | 1,035 | 1,709 | 756 | 0 | 1,988 |
| MS Baseball | 0 | 120 | 645 | 525 | 0 |
| Total | \$ 97,701 | 180,640 | 175,714 | 0 | 102,627 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST EIGHT YEARS

| | Modified Accrual Basis | | | | | | | |
|---|------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|
| | Years Ended June 30, | | | | | | | |
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Revenues: | | | | | | | | |
| Local sources: | | | | | | | | |
| Local tax | \$ 3,885,830 | 3,843,038 | 3,717,829 | 3,536,193 | 3,754,560 | 3,841,094 | 4,072,011 | 3,990,813 |
| Tuition | 413,345 | 325,825 | 309,238 | 340,218 | 302,508 | 228,698 | 210,148 | 139,376 |
| Other | 664,398 | 693,361 | 582,805 | 476,170 | 555,042 | 359,445 | 692,032 | 1,039,555 |
| Intermediate sources | 0 | 0 | 0 | 0 | 36,106 | 32,480 | 32,587 | 0 |
| State sources | 5,587,576 | 5,285,949 | 4,775,575 | 4,419,245 | 4,041,618 | 4,124,883 | 4,175,215 | 4,241,702 |
| Federal sources | 363,206 | 349,274 | 356,245 | 334,296 | 368,460 | 355,722 | 347,062 | 855,369 |
| Total | \$ 10,914,355 | 10,497,447 | 9,741,692 | 9,106,122 | 9,058,294 | 8,942,322 | 9,529,055 | 10,266,815 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular instruction | \$ 4,064,957 | 3,730,512 | 3,664,547 | 3,301,558 | 3,262,129 | 3,040,843 | 3,166,488 | 2,883,934 |
| Special instruction | 1,132,572 | 1,122,041 | 1,011,712 | 1,053,146 | 1,461,875 | 1,207,787 | 1,307,704 | 1,528,035 |
| Other instruction | 1,228,067 | 1,155,714 | 1,117,402 | 1,058,543 | 674,085 | 683,090 | 610,774 | 657,522 |
| Support services: | | | | | | | | |
| Student services | 283,406 | 262,507 | 194,277 | 169,318 | 169,012 | 131,803 | 207,800 | 360,219 |
| Instructional staff services | 507,464 | 367,374 | 353,021 | 349,654 | 253,071 | 376,276 | 356,721 | 439,665 |
| Administration services | 918,075 | 896,725 | 742,217 | 642,190 | 662,371 | 665,375 | 676,769 | 663,616 |
| Operation and maintenance of plant services | 867,021 | 753,634 | 741,092 | 767,799 | 531,580 | 511,242 | 477,517 | 588,205 |
| Transportation services | 441,342 | 407,248 | 347,846 | 257,666 | 230,387 | 264,665 | 204,559 | 223,678 |
| Central support services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,694 |
| Non-instructional programs | 0 | 0 | 0 | 20,236 | 15,310 | 11,530 | 18,314 | 36,860 |
| Other expenditures: | | | | | | | | |
| Facilities acquisitions | 284,050 | 653,882 | 757,609 | 702,778 | 341,688 | 1,284,673 | 6,440,821 | 3,025,541 |
| Long-term debt: | | | | | | | | |
| Principal | 716,714 | 691,062 | 471,177 | 364,863 | 344,314 | 331,480 | 245,000 | 215,000 |
| Interest | 293,074 | 318,421 | 970,142 | 440,534 | 460,083 | 457,521 | 464,170 | 477,876 |
| AEA flow-through | 356,806 | 337,727 | 306,192 | 286,664 | 287,741 | 308,801 | 309,593 | 319,718 |
| Total | \$ 11,093,548 | 10,696,847 | 10,677,234 | 9,414,949 | 8,693,646 | 9,275,086 | 14,486,230 | 11,425,563 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | EXPENDITURES |
|--|----------------|-----------------|-------------------|
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 08 | \$ 46,882 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 08 | 206,494 * |
| | | | <u>253,376</u> |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 5976-G | 157,686 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 5976-GC | 13,491 |
| | | | <u>171,177</u> |
| INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM) | 84.298 | FY 08 | <u>1,955</u> |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITY - STATE GRANTS | 84.186 | FY 08 | <u>4,841</u> |
| READING FIRST STATE GRANTS | 84.357 | FY 07 | 1,635 |
| READING FIRST STATE GRANTS | 84.357 | FY 08 | 26,007 |
| | | | <u>27,642</u> |
| TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM | 84.367 | FY 08 | <u>62,275</u> |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA PROGRAM) | 84.369 | FY 08 | <u>7,532</u> |
| IOWA WESTERN COMMUNITY COLLEGE: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 08 | <u>11,971</u> |
| INDIRECT: | | | |
| LOESS HILLS AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES (PART B) | 84.027 | FY 08 | <u>60,083</u> |
| FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL WHITE) | 84.215 | FY 08 | <u>14,900</u> |
| ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2) | 84.318 | FY 08 | <u>331</u> |
| READING FIRST STATE GRANTS | 84.357 | FY 08 | <u>500</u> |
| TOTAL | | | <u>\$ 616,583</u> |

* Includes \$27,252 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Shenandoah Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Shenandoah Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shenandoah Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Shenandoah Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Shenandoah Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Shenandoah Community School District's financial statements that is more than inconsequential will not be prevented or detected by Shenandoah Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Shenandoah Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shenandoah Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Shenandoah Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Shenandoah Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shenandoah Community School District and other parties to whom Shenandoah Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Shenandoah Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Shenandoah Community School District

Compliance

We have audited the compliance of Shenandoah Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Shenandoah Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Shenandoah Community School District's management. Our responsibility is to express an opinion on Shenandoah Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shenandoah Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shenandoah Community School District's compliance with those requirements.

In our opinion, Shenandoah Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Shenandoah Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Shenandoah Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

Shenandoah Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Shenandoah Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shenandoah Community School District and other parties to whom Shenandoah Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2009

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Individual
 - CFDA Number 84.010 – Title I grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Shenandoah Community School District did not qualify as a low-risk auditee.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties amount employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

II-B-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process; however, many of the purchase orders are actually completed after the product has been ordered and at times may be completed after the receipt of the products. In addition, we noted some purchase orders without dates.

Recommendation - The advantage of using a purchase order system is that the approval of items being purchased is noted prior to ordering. When purchase orders are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding obligation. When monitoring the actual expenses it can be a helpful tool in knowing the outstanding orders which will be subsequently paid. This allows the person who approves the purchase order a greater insight of knowing if funds are available prior to making the purchase.

The District's current purchase order system should be reviewed and the necessary changes made so that all disbursements are approved by the appropriated administrator before the purchase of supplies takes place. The purchase should be included with the invoice as support for approval of the purchase.

Response - This has been addressed with all supervisors and the change to support this has been made.

Conclusion - Response accepted.

II-C-08 Reimbursement Support Documentation - We noted during our audit that the District had reimbursements to an individual for the purchase of supplies which were purchased with the individuals' credit card. The credit card statement was provided to the central office for reimbursement with no supporting invoice.

Recommendation - The District should review current reimbursement procedures to ensure proper supporting documentation is maintained. Reimbursements should not be made without proper documentation.

Response - A policy is now in place requiring a supporting invoice for reimbursement.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553 – School Nutrition Program
CFDA Number 10.555 – National School Lunch Program
Federal Award Year: 2008
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 – Title I - Grants to Local Educational Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties amount employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed budgeted amounts.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|----------------------------|--------|
| Keith Mayer, Board Member Substitute Teacher | Purchased Services | \$938 |
| Lance Hensen, Board Member Event Ticket Taker | Purchased Services | \$198 |
| Ed Perkins, Bus Driver Owner of Perks Appliance Repair | Purchased Services | \$188 |

According to Chapter 279.7A of the Code of Iowa, the above transactions with board members do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with Ed Perkins do not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students were understated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.

IV-J-08 Physical Plant and Equipment Levy Expenditures - According to Chapter 298.3 of the Code of Iowa the Physical Plant and Equipment Levy Fund monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District had purchases in the Physical Plant and Equipment Levy Fund for equipment less than the \$500 threshold. We are requesting a corrective transfer from General Fund of \$1,839.70.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should also review Chapter 9 - Statutory Authority for Funds of the Uniform Administrative Procedures Manual. The District should refrain from purchasing equipment less than the \$500 threshold from the Physical Plant and Equipment Levy Fund. The District should make the corrective transfer from General Fund to Physical Plant and Equipment Levy Fund for \$1,839.70.

Response - The review has taken place and supervisors have been notified. The corrective transfer has been completed.

Conclusion - Response accepted.